

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 EUR-12

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FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 7390

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E.O. 11652: N/A

TAGS: ENRG, BL

SUBJECT: REDUCTION OF EXPLORATION ACTIVITIES BY AMERICAN PETROLEUM COMPANIES

1. LUIS SALINAS E., YPFB'S DIRECTOR OF PLANNING, TOLD EMBOFF ALL AMERICAN PETROLEUM COMPANIES SIGNIFICANTLY REDUCED EXPLORATION ACTIVITIES SINCE ABOLISHMENT BY US CONGRESS OF DEPLETION ALLOWANCE AND OF FOREIGN TAX CREDITS. HOWEVER, HE SAID ALL OF THEM STILL COMPLYING WITH MINIMUM INVESTMENT OBLIGATIONS AS REQUIRED BY THEIR CONTRACTS WITH YPFB.

2. SALINAS EXPRESS VIEW MINIMUM INVESTMENT OBLIGATIONS FAR LESS THAN WHAT AMERICAN PETROLEUM COMPANIES EXPECTED TO INVEST. SAID YPFB'S POSITION IS ONE OF SYMPATHY FOR AMERICAN OIL COMPANIES SINCE AMERICAN CONGRESS CHANGED RULES IN MIDDLE OF GAME. FOR THIS REASON, YPFB ATTEMPTING TO BE FLEXIBLE AND ADJUST ITS VIEW TO NEW REALITIES OF AMERICAN PETROLEUM COMPANIES' CURTAILED ACTIVITIES. SAID OTHER FOREIGN PETROLEUM COMPANIES SUCH AS TOTAL (FRENCH), HISpanoil (SPANISH) AND CANADIAN SUPERIOR HAVE NOT CUT BACK RATE OF EXPLORATION ACTIVITIES.

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3. EMBASSY INFORMED THAT DIRECTLY AFTER CONGRESS ABOLISHED DEPLETION ALLOWANCE, MANAGERS OF ALL AMERICAN PETROLEUM COMPANIES IN BOLIVIA REPORTEDLY SUMMONED BY THEIR HEADQUARTERS IN US AND TOLD TO REDUCE BUDGET. ONE AMERICAN SERVICE COMPANY, PETROLEUM HELICOPTERS, REPORTEDLY LEFT BOLIVIA BECAUSE OF LACK OF ENOUGH WORK.

4. IMPLICATION OF SALINAS' VIEWS IS THAT HE DOES NOT BELIEVE COMPANIES CUTTING BACK ACTIVITIES BECAUSE OF ANY LACK OF POTENTIAL HYDROCARBON STRUCTURES.

5. US PETROLEUM REPS HERE ARE SAYING THAT THEIR EXPLORATION PLANS WORLD-WIDE WERE BASED ON FINANCING FROM PROFITS AND CONTEMPLATED CONTINUATION DEPLETION ALLOWANCE. HENCE, ELIMINATION OF DEPLETION HAS FORCED THEM TO REDUCE EXPLORATION. WE WOULD LIKE TO KNOW WHETHER COMPANIES HAVE CUT BACK EXPLORATION ELSEWHERE USING SAME EXPLANATION AND WHETHER FACTS SUPPORT OR CONTRADICT THEIR ASSERTIONS.

6. BOLIVIAN MINISTER OF COORDINATION HAS MADE INFORMAL INQUIRY WHETHER USG MIGHT NOT CONSIDER SOME FORM OF LEGISLATION TO RESTORE DEPLETION ALLOWANCE FOR EXPLORATION IN LATIN AMERICA AS A PREFERENTIAL MEASURE IN HARMONY WITH US-LATIN AMERICA DIALOGUE.
STEDMAN

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Message Attributes

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